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G. J. CLEARY • PRESIDENT

United

OMAHA, NEBRASKA

July 16, 1954

Government Employees
Health Association,
Washington, D. C.

Gentlemen:

Group Life Insurance

This letter will clarify certain understandings between your organization and our Company regarding the retrospective premium rider to be issued under your group life contract, the contingency reserve and your group life insurance rate for the first contract year.

Under our retrospective premium rider, the basic premium is actually the Company retention or in this case 12.2% of the premium. The incurred losses are, of course, the sum of the death claims incurred during any contract year, and the conversion reserves are charged at the rate of \$60.00 per thousand dollars of insurance converted.

The contingency reserve is built up to draw upon during a year when claims are excessive or where the group life premium has increased due to advanced ages of the members. The contingency reserve of 5% per year will be built up for a period of not more than ten years provided it has not been necessary to draw upon the fund during the ten-year period. The contingency reserve may be utilized only on the joint approval of the GEHA, Inc., and the United Benefit Life Insurance Company. Upon termination of the contract, the contingency reserve fund will be returned to the policyholder upon settlement of all liability on the part of the insurance company.

The retrospective premium then becomes the sum of the basic premium, the incurred claims, conversion charges, and the contingency reserve subject to 100% of the standard premium. For example, let us assume the following:

Claims	\$500.00
Basic Premium (12.2%)	122.00
Conversion (\$1,000.00)	60.00
Contingency Reserve (5%)	<u>50.00</u>
TOTAL	\$732.00

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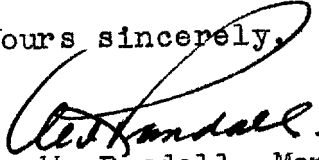
In this example, the total premium or standard premium equalled \$1,000.00. The retrospective premium is \$732.00; therefore, there is a return to the policyholder of \$268.00.

If the retrospective premium is in excess of the standard premium, the amount of such excess shall be applied against any subsequent retrospective premium refund or refunds until the full amount of such excess has been recovered.

The premium under the group life insurance contract for the first policy year shall be 53¢ per month per thousand dollars of group life insurance.

We sincerely hope that this will clarify any points that may have been confusing in our presentation. The amended supplementary provisions as agreed to during our telephone conversation of July 16 will be forwarded on July 19 for your final inspection.

Yours sincerely,


A. W. Randall, Manager,
Group Department.

AWR:PL